

# **Third Party Verification Procedures As A Condition For SBR Compensation Of Payphone Service Providers**

**Elaboration of Issues Discussed August 13, 2003**

**CC Docket No. 96-128**



# Establishing Reliable Compensation Tracking and Reporting Is One Of Several Necessary Conditions For Direct SBR Payment To PSPs

- FCC originally allowed all facilities-based providers, including, SBRs to directly compensate PSPs, and required them to verify the accuracy of their compensation systems

“...we conclude that requiring carriers to maintain the appropriate records and certify as to the accuracy of both the data and the tracking methodology would facilitate the prompt and accurate payment of per-call compensation.” (First Payphone Order, ¶101)

# Commission Expected Tracking Systems To Be Reliable, But Not Perfect

- The Commission expected tracking and compensation systems and procedures to be capable of reasonably accounting for and resolving discrepancies between PSP and carrier data.

“PSPs should be allowed to inspect this certification...[and] we expect that the PSPs and carriers performing the tracking will work together to reconcile or explain any PSP data that are inconsistent with the annual certification.” (First Payphone Order ¶ 101)
- The Commission did not require a full-scale audit. (Id., ¶ 101)

# MCI Developed A Reliable Payphone Compensation System

- Hired PricewaterhouseCoopers, an independent accounting firm, to verify that MCI developed internal controls and mechanisms that would allow it to comply with the specific payphone compensation obligations established by the FCC.
- Hired PricewaterhouseCoopers to verify that the National Payphone Clearinghouse (NPC) had developed internal controls and mechanisms that would allow it to comply with the specific payphone compensation obligations MCI subcontracted to NPC



## SBRs Should Be Allowed To Directly Compensate All PSPs Under The Following Conditions:

- An independent accounting firm verifies they have a reliable compensation and dispute resolution system.
- It files this verification with the FCC, along with name, telephone number and fax number of the person responsible for payphone compensation.
- It notifies the First Switch IXC (FS-IXC) of the toll free numbers being served by its own switch.



# Conclusions Needed To Verify A Compensation System As Reliable

- Company Accurately States Relevant FCC Rules.
- Company Has Dedicated Staff Responsible For Tracking, Compensating, Reporting, and Resolving Disputes Concerning Completed Calls.
- Company Has Appropriate Data Monitoring Procedures.
- Company Has Sufficient Security Controls.
- Company Has Sufficient Application Controls.
- Company Has Created A Compensable Payphone Call File From Call Detail Records By Matching CDRs Against Payphone Identifiers.
- Company Has Procedures To Incorporate Call Data Into Required Reports.
- Representative Sample Of Payphone Call Records Tests Critical Controls And Verifies Insubstantiality of Errors.
- Company Has Implemented Procedures and Controls Needed To Resolve Disputes.



## Company Accurately States Relevant FCC Rules

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls (access code, subscriber 800, non-commissioned 0+, etc.).
- Definition of completed call.
- Reporting requirements.
- Late payments per IRS overpayment rate.
- Data Storage Requirements, etc.



## Company Has Dedicated Staff Responsible For Tracking, Compensating, Reporting, And Resolving Disputes Concerning Completed Payphone Calls

- Persons responsible for drafting necessary business requirements.
- Persons responsible for developing & maintaining systems to create payphone call records from switch records.
- Persons responsible for implementing & maintaining procedures that check the validity of identified payphone records.
- Persons responsible for implementing and maintaining procedures that create final compensation data sets.
- Persons responsible for developing compensation tracking reports.
- Persons responsible for dispute resolution.





## Company Has Appropriate Data Monitoring Procedures

- Monthly and quarterly reports on payphone call counts, PSP identities, numbers called, and infodigits (if used), etc.
- Reports on trends of switch traffic volumes entering payphone compensation systems.
- Fraud reports on potentially illegitimate payphone calls.
- Reports showing trends of excluded calls.
- Capability to develop customized reports to help resolve disputes.
- Other appropriate trending reports.



## Company Has Sufficient Security Controls

- Access to call tracking systems is controlled.
- Access to call tracking systems is monitored.
- Access to payment disbursement systems is controlled.
- Access to payment disbursement systems is monitored.



## Company Has Sufficient Application Controls

- Company has person or department responsible for making software changes affecting payphone compensation.
- Company adheres to established protocols to implement and test software changes affecting payphone compensation.
- Companies adheres to established protocols to ensure network changes external to payphone compensation do not negatively impact payphone compensation system.

# Company Creates A Compensable Payphone Call File From Call Detail Records By Matching CDRs Against Payphone Identifiers

- Uses switch data and database lookups to populate date, originating ANI, commission identifier, dialed number, and aggregates data into a file.
- Describes how this file is matched with payphone specific identifiers (coding digits or ANI lists), dial-around call matches, etc., to create potentially compensable payphone call files.
- Describes additional validation and control procedures applied to this file of potentially compensable calls – validated ANIs, NPA splits, excluding commissioned ANIs, PSP ownership changes, etc., to compile final compensation file.



## Company Has Developed Procedures To Incorporate Call Data Into Required Reports And Capability Of Delivering Quarterly Payments To PSPs

- Develops a report of completed payphone calls associated with each toll free number originated from valid payphone ANIs.
- Company has a valid list of payphone owners associated with payphone ANIs.



## Accounting Firm Uses Representative Sample Of Payphone Call Records To Test All Critical Controls And Procedures Comprising Creation Of Payphone Compensation File

- Determines proper infodigits are captured (if used)
- Determines dial around calls are properly captured
- Determines incomplete calls are not captured
- Generally determines switch data is populated into payphone compensation file accurately as described in slide 12.
- Determines commissioned calls are excluded, etc.

## Company Has Implemented Procedures And Controls Capable Of Resolving Disputes

- Maintains compensable call file and excluded data for 6 quarters.
- Maintains monitoring reports capable of shedding light on disputes.
- Has capability of performing customized reporting to help resolve disputes.
- Identifies staff person(s) responsible for handling disputes.
- Independent accounting report is submitted into CC Docket No. 96-128 for verified SBRs, with name and contact information of person responsible for payphone compensation



## Established, Third Party, Accounting Firms Have Already Verified Reliable Tracking Systems

- MCI is recommending verification be performed by one of the big 5 accounting firms.
- MCI is recommending SBRs undergo the same detailed verification it has undergone.
- Verification should be confined to sufficiency of SBR procedures from the moment a call is handed off by underlying carrier.
  - Underlying carrier data is presumed accurate.
  - Once each SBR is verified, PSPs should be able to match underlying carrier call-sent data to SBR completed call data.





# Many SBRs Will Be Verified As Having Reliable Compensation Systems

- 12% of MCI's SBRs currently provide data on time in a format that can be combined with MCI payphone compensation data in time to meet quarterly obligations.
  - These SBRs almost certainly will be quickly verified as having reliable compensation systems.
- 39% of MCI's SBRs claim to have reliable systems, but fail to provide MCI data on time in a format that can be combined with MCI data in time to meet quarterly obligations
  - These problems may be due to the rapid monthly turn around times MCI requires, and the multiple formats they are required to provide to the multiple IXC's that SBRs often use.
  - It is therefore possible these SBRs may also be quickly verified as having reliable compensation systems when tested to see if they have reliable quarterly, rather than monthly, compensation systems, and when they can provide data in a single format.



# Accounting Firms Do Not Need To Police SBR Data To Determine Data Accuracy As APCC Suggests

- Accounting firms will obtain representative samples of SBR data with which they will test the accuracy of SBR tracking and compensation systems.
- If the systems are not reliable or accurate, SBRs will not be verified as having accurate compensation systems and procedures.
- Required procedures are extensive and wide ranging
  - SBRs who have yet to develop reliable systems may require one year, depending on the complexity of their networks.
  - SBRs who already have reliable systems may achieve verification within 3 months.
- It is unlikely an SBR will undertake the substantial investment in staff and facilities and cost of verification unless they intend to develop systems capable of being verified as accurate.
- SBRs do not currently have any incentive to develop reliable tracking systems

## APCC Posits An Impossible Standard Of Accuracy In Order To Prevent Direct Compensation By SBRs

- The Commission has not expected 100% accuracy and instead has required development of systems and procedures that would result in accurate results and systems capable of resolving disputes.
- APCC's argument that independent verification cannot be reliable because the Commission does not have jurisdiction over accounting firms or that accounting firms may not be liable for subsequent SBR errors is a red herring.
  - PSPs may file a complaint with the Commission or in Court if they believe they are being undercompensated, and will collect from the SBR, not the accounting firm, if the Commission or Court finds in their favor.

## Other Steps Beside 3<sup>rd</sup> Party Verification Are Needed To Ensure Fair PSP Compensation

- SBRs must file passing verification report into CC Docket No. 96-128.
- Must identify name, address, telephone, fax, and email address of person responsible for payphone compensation.
- Must simultaneously notify FS-IXC of toll free numbers being served by their own switches,
  - Allows FS-IXC to stop surcharging SBRs for calls sent to these numbers
  - Allows FS-IXC to begin separate data collection and reporting procedures for calls sent to these numbers
- Net result will be SBRs with reliable systems capable of resolving disputes, who have accurately and officially identified themselves in a legally binding manner as being responsible for compensation.



# FS-IXCs Should Remain Liable For Payphone Compensation For SBRs For Whom They Surcharge On The Basis Of Their Answer Supervision Messages

- MCI's proposal would allow FS -IXCs to surcharge on the basis of the only reliable data they possess (their own answer supervision messages) for SBRs who have not demonstrated they have reliable compensation tracking systems.
  - Analogous to switchless resellers, where FS-IXC is liable because it has the only reliable call completion data.
- If FS-IXCs were not liable in this case, they would be under no compulsion to compensate PSPs if such an SBR refused to pay its surcharges, and would have no incentive to collect the surcharge.

